

STATE FINANCE COMMITTEE  
OLYMPIA, WASHINGTON

May 14, 2002

The State Finance Committee met in a special meeting after notice duly given to the press and radio of Thurston County.

Present:               Michael J. Murphy, State Treasurer  
                          Gary Locke, Governor  
                          Brad Owen, Lieutenant Governor

Also Present:       Allan Martin, Office of the State Treasurer  
                          Svein Braseth, Office of the State Treasurer  
                          Shad Pruitt, Office of the State Treasurer  
                          Jeanne Cushman, Office of the Attorney General  
                          Darlene DeRose, Montague DeRose & Associates  
                          Dean Torkelson, Seattle Northwest Securities  
                          William Tonkin, Foster Pepper & Shefelman  
                          Sue Melvin, Office of the State Treasurer  
                          Rob Shelley, Seattle Northwest Securities  
                          Matthew Libbey, Seattle Northwest Securities  
                          Tom Boyer, Office of Financial Management  
                          Carolyn Busch, Senate Democratic Caucus  
                          Bill Starkey, Department of Transportation  
                          Vicki Cox, Office of the State Treasurer  
                          Nancy Notter, Office of the State Treasurer  
                          Kristi Wolgamot, Office of the State Treasurer  
                          Suzanne Coit, Office of the State Treasurer  
                          Pam Johnson, Office of the State Treasurer  
                          Nancy Adams, Office of the State Treasurer

Chairman Murphy convened and adjourned the Public Deposit Protection Commission before convening the State Finance Committee. The State Finance Committee was called to order at 10:05 am in the Office of the State Treasurer. Governor Locke moved the minutes for the January 15, 2002 meeting be approved. Lt. Governor Owen seconded the motion. The motion passed and the minutes were adopted.

Mr. Martin said proposed Resolution No. 954 accepts the bids for the purchase of State of Washington Various Purpose General Obligation Refunding Bonds, Series R-2002A, in the aggregate principal amount of \$65,585,000, more or less, as authorized by Chapters 39.42 and 39.53 RCW and Resolution Nos. 875 and 945 of the Committee. Mr. Martin stated that six bids were received and accepted electronically through Parity at 8:00 a.m. Banc of America Securities, LLC submitted a true interest cost (TIC) of 3.0702422%; Lehman Brothers submitted a TIC of 3.0010232%; Merrill Lynch & Co. submitted a TIC of 3.0408416%; Morgan Stanley,

Dean Witter submitted a TIC of 2.9989114%; Salomon Smith Barney, Inc. submitted a TIC of 2.9102940% and US Bancorp Piper Jaffray submitted a TIC of 3.0026136%, with the apparent low bidder being Salomon Smith Barney, Inc. Mr. Torkelson said the 6% savings was within the committee's target rate of savings and the total savings is estimated at \$1.2 million. Mr. Martin said there was a press release this morning from the U.S. Treasury suspending the sale of State and Local Government Series Securities (SLGS) effective May 15, 2002. Chairman Murphy asked if the bids met the requirements of Surebid and if the bid amount was verified. Mr. Martin confirmed that they did.

Mr. Martin presented proposed Resolution No. 954 to the committee.

Resolution No. 954 awards the sale of \$65,585,000, more or less, State of Washington Various Purpose General Obligation Refunding Bonds, Series R-2002A, authorized by Chapters 39.42 and 39.53 RCW and Resolutions Nos. 875 and 945 of the Committee.

Lt. Governor Owen moved to adopt Resolution No. 954. Governor Locke seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 955 accepts the bids for the purchase of State of Washington Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R-2002B, in the aggregate principal amount of \$26,895,000, more or less, as authorized by Chapters 39.42 and 39.53 RCW and Resolution No. 945 of the Committee. Mr. Martin said that five bids were received and accepted electronically through Parity at 8:00 a.m. Banc of America Securities, LLC submitted a true interest cost (TIC) of 3.0728656%; Lehman Brothers submitted a TIC of 3.0224474%; Merrill Lynch & Co. submitted a TIC of 3.0713549%; Morgan Stanley, Dean Witter submitted a TIC of 3.0456311% and Salomon Smith Barney, Inc. submitted a TIC of 2.9196819%, with the apparent low bidder being Salomon Smith Barney, Inc. Mr. Martin said the Series R-2002B Bonds are tax-exempt current refunding bonds. The interest will be paid semi-annually on the outstanding principal. In accordance with the Refunding Bond Act, Chapter 39.53 RCW, the State Finance Committee may refinance state debt to achieve savings for the state as market opportunities arise. Preliminary estimates of the savings for R-2002B Bonds had around \$1.35 million in net present value savings, with a percentage savings ratio to the refunding bonds of around 5.03 percent. This exceeds the savings targets for current refundings provided by the State Finance Committee Debt Issuance Policy (of 1-5%). Mr. Torkelson said the actual savings were around 6%, similar to savings for the Series R-2002A Bonds. Chairman Murphy asked if the bids met the requirements of Surebid and if the bid amount was verified. Mr. Martin confirmed that they did.

Mr. Martin presented proposed Resolution No. 955 to the committee.

Resolution No. 955 awards the sale of \$26,895,000, more or less, State of Washington Motor Vehicle Fuel Tax General Obligation Refunding Bonds, Series R-2002B, authorized by Chapters 39.42 and 39.53 RCW and Resolution No. 945 of the Committee.

Lt. Governor Owen moved to adopt Resolution No. 955. Governor Locke seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 956 provides for the issuance and sale of up to \$189,570,000 State of Washington Various Purpose General Obligation Bonds, Series 2003A, authorized by Chapter 14, Laws of 1989, 1<sup>st</sup> Ex. Sess.; Chapter 15, Laws of 1990, 1<sup>st</sup> Ex. Sess.; Chapter 380, Laws of 1999, Reg. Sess.; and Chapter 9, Laws of 2001 2<sup>nd</sup> Sp. Sess.; and Chapter 39.42 RCW for the purpose of providing funds to pay and reimburse the state for various state capital project expenditures; fixing the date, form, terms, maturities, redemption provisions and covenants of the bonds; providing for certain other provisions safeguarding the payment of the principal thereof and interest thereon; and authorizing and directing the sale of said bonds. The Series 2003A will be used to fund cash flow requirements for construction of state capital projects. Bond proceeds from this proposed issue are to be deposited or transferred to the following funds: State Building Construction Account (fund 057), Outdoor Recreation Account (fund 070), State and Local Improvement Revolving Account--Water Supply Facilities (fund 072), and Habitat Conservation Account (fund 244).

Mr. Martin presented proposed Resolution No. 956 to the committee.

Resolution No. 956 authorizes the issuance and sale of up to \$189,570,000 State of Washington Various Purpose General Obligation Bonds, Series 2003A, authorized by Chapter 14, Laws of 1989, 1<sup>st</sup> Ex. Sess.; Chapter 15, Laws of 1990, 1<sup>st</sup> Ex. Sess.; Chapter 380, Laws of 1999, Reg. Sess., Chapter 9, Laws of 2001, 2<sup>nd</sup> Sp. Sess.; and Chapter 39.42 RCW.

Lt. Governor Owen moved to adopt Resolution No. 956. Governor Locke seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 957 provides for the issuance and sale of up to \$24,885,000 State of Washington General Obligation Bonds (State Housing Trust Fund), Series 2003T (Taxable), authorized by Chapter 9, Laws of 2001 2<sup>nd</sup> Sp. Sess., and Chapter 39.42 RCW, for the purpose of providing funds to pay the state for housing assistance, weatherization and affordable housing project expenditures; fixing the date, form, terms, maturities, redemption provisions and covenants of the bonds; providing for certain other provisions safeguarding the payment of the principal thereof and interest thereon; and authorizing and directing the sale of said bonds. The Housing Trust Fund with the Washington State Office of Community Development (OCD) helps provide safe and affordable housing in communities throughout the state. The Housing Trust Fund supports the construction or rehabilitation of more than 3,000 housing units each biennium. These programs, known collectively as the Housing Trust Fund (HTF), provide low-interest loans and grants from bond proceeds to private non-profit entities, which may include charitable 501(C) (3) organizations. The sale of taxable bonds is proposed to help assure compliance with applicable federal tax laws by providing a source of funds (other than proceeds of tax-exempt bonds) for expected or potential expenditures to make HTF loans to nongovernmental persons or to provide facilities that otherwise would not qualify for tax-exempt financing.

Mr. Martin presented proposed Resolution No. 957 to the committee.

Resolution No. 957 authorizes the issuance and sale of up to \$24,885,000 State of Washington General Obligation Bonds (State Housing Trust Fund), Series 2003T (Taxable), authorized by Chapter 9, Laws of 2001, 2<sup>nd</sup> Sp. Sess., and Chapter 39.42 RCW.

Governor Locke moved to adopt Resolution No. 957. Lt. Governor Owen seconded the motion and the resolution was adopted.

There being nothing further to come before the committee, the meeting was adjourned at 10:15 a.m.

STATE FINANCE COMMITTEE  
STATE OF WASHINGTON

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Michael J. Murphy, State Treasurer & Chairman

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Gary Locke, Governor & Member

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Brad Owen, Lieutenant Governor & Member

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Allan J. Martin  
Deputy State Treasurer & Secretary